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SUBJECT: GERMAN CHANCELLOR MERKEL VISITS EGYPT

CLASSIFIED BY DEPUTY CHIEF OF MISSION STUART JONES FOR
REASONS 1.4 (B) AND (D).

11. (C) SUMMARY: GERMAN CHANCELLOR ANGELA MERKEL VISITED CAIRO FEBRUARY 3 - 4 TO DISCUSS MIDDLE EAST REGIONAL ISSUES AND ECONOMIC RELATIONS. ACCORDING TO A GERMAN EMBASSY CONTACT, MERKEL AND EGYPTIAN PRESIDENT MUBARAK AGREED ON THE NEED FOR A PALESTINIAN NATIONAL UNITY GOVERNMENT. ON THE ECONOMY, EGYPTIAN PRIME MINISTER NAZIF AND MINISTER OF TRADE AND INDUSTRY RACHID WERE KEEN TO EXPAND EGYPT'S FOOD EXPORTS TO THE EU. MERKEL AND NAZIF PRESIDED OVER AN EGYPTIAN-GERMAN ECONOMIC FORUM TO DISCUSS INCREASING GERMAN INVESTMENT IN EGYPT, AND THEY SIGNED FOUR TRADE AGREEMENTS. END SUMMARY.

12. (U) GERMAN CHANCELLOR ANGELA MERKEL VISITED CAIRO FEBRUARY 3 - 4, HER FIRST STOP ON A REGIONAL TOUR TO INCLUDE SAUDI ARABIA, THE AE, AND KUWAIT. SHE WAS ACCOMPANIED BY AN ECONOMIC DELEGATION LED BY MINISTER OF ECONOMICS AND TECHNOLOGY MICHAEL GLOS AND BY FIVE PARLIAMENTARIANS WHO MET SOME OF THEIR EGYPTIAN COUNTERPARTS. THE AIM OF THE VISIT WAS TO DISCUSS REGIONAL ISSUES IN THE CONTEXT OF GERMANY HOLDING THE ROTATING PRESIDENCY OF THE EU, AND TO FOLLOW-UP THE CAIRO-BERLIN ECONOMIC COOPERATION PROGRAM AGREED UPON DURING MUBARAK'S DECEMBER 2006 VISIT TO GERMANY.

13. (C) GERMAN DCM HANS BUSSMAN TOLD DCM THAT CHANCELLOR MERKEL HAD A ONE-ON-ONE, 90-MINUTE WITH EGYPTIAN PRESIDENT MUBARAK, THEIR FOURTH MEETING IN ELEVEN MONTHS, WHERE THE TWO DISCUSSED MOSTLY THE ISRAELI-PALESTINIAN CONFLICT, AGREEING ON THE NEED FOR A PALESTINIAN NATIONAL UNITY GOVERNMENT. THE TWO ALSO DISCUSSED SYRIA, LEBANON, AND IRAQ, BUT ONLY BRIEFLY. BUSSMAN SAID THAT MERKEL REGARDS MUBARAK AS A VALUED SOURCE OF INFORMATION AND INSIGHT INTO THE REGION. HE ALSO SAID THAT MERKEL DID NOT RAISE HUMAN RIGHTS CONCERNS. ACCORDING TO PRESS REPORTS, MERKEL ALSO DISCUSSED REGIONAL ISSUES WITH ARAB LEAGUE SECRETARY GENERAL AMR MOUSSA AND GRAND SHEIKH OF AL AZHAR TANTAWI, WHOM SHE INVITED ON VISIT TO GERMANY TO CONTINUE INTER-RELIGIOUS DIALOG. BUSSMAN SAID THAT EGYPTIAN MINISTER OF INTERNATIONAL COOPERATION FAROUK ABOL NAGA ASKED FOR GERMAN HELP IN REMOVING WORLD WAR II LANDMINES FROM NORTH-WESTERN EGYPT.

14. (C) PRIME MINISTER NAZIF AND MINISTER OF TRADE AND INDUSTRY RACHID WERE KEEN TO EXPAND EGYPTIAN FOOD EXPORTS TO THE EU, SAID BUSSMAN, BUT FOREIGN MINISTER ABOL GHEIT ADMITTED THAT EGYPT IS RELUCTANT TO MAKE THE EGYPT-EU FRIENDSHIP AGREEMENT PUBLIC. THE GERMANS TOOK NAZIF AND RACHID TO TASK FOR EGYPT'S LARGE SUBSIDY PROGRAM, BUSSMAN CONTINUED, TO WHICH NAZIF REPLIED THAT IT IS NOT POSSIBLE TO PHASE OUT SUBSIDIES AT THIS TIME. HOWEVER, HIS GOVERNMENT IS AIMING TO REDUCE EGYPT'S BUDGET DEFICIT BY 1% OF THE TOTAL BUDGET PER YEAR.

15. (SBU) MERKEL AND NAZIF ALSO CO-CHAIRING A FEBRUARY 4 EGYPTIAN-GERMAN ECONOMIC FORUM TO DISCUSS INCREASING GERMAN INVESTMENT IN EGYPT THAT BUSSMAN DESCRIBED AS "VERY POSITIVE." THE PRESS REPORTED THAT THE TWO ALSO SIGNED FOUR AGREEMENTS ON THE SIDELINES OF THE FORUM: THREE BETWEEN GERMANY'S SIEMENS AND THE EGYPTIAN INDUSTRY MODERNIZATION CENTER FOR SIEMENS TO PROVIDE EQUIPMENT AND ADVANCED TECHNOLOGY TO EGYPTIAN VOCATIONAL TRAINING CENTERS AND FACTORIES; AND ONE BETWEEN EGYPTIAN LACTO MISR AND A GERMAN COMPANY (NFI) ON PRODUCING INFANT'S MILK. RICCIARDONE